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REVIEWS.

Monopolies and Trusts. By RICHARD T. ELY. New York, The Macmillan Company, 1900. — 273 pp.

Trusts and the Public. By GEORGE GUNTON. New York, D. Appleton & Co., 1899. — 245 pp.

Industrial Commission: Preliminary Report on Trusts and Industrial Combinations. Part I. Washington, Government Printing Office, 1900. — 264 pp.

Almost any book dealing with the question of monopolies and trusts is welcome at the present time. Nevertheless, in order that a book may be effective, the author should have come to clear opinions on the following points: (1) Is monopoly under present industrial conditions really able in the long run to destroy competition? (2) To what extent, and for how long a time, can the so-called monopolist rob the consumer by charging him a higher price than competition would give him? (3) Can we regulate monopolies and trusts so as to preserve the advantages of production on a large scale, while protecting the community against extortion?

Judged by these tests, Professor Ely's book is interesting and full of information, moderate in tone and impartial in attitude. He does not, however, reach clear and decisive judgments; and the book is weakened, not to say disfigured, by the constant intrusion of references to his own position in economic literature. From the same standpoint, Mr. Gunton's book seems to me almost worthless; while the official report is a really serious contribution to the solution of the first two questions.

To return to Professor Ely's work. The author attempts to solve the first question by precision of definition — an excellent expedient in the hands of a master, but requiring the greatest skill and acumen.

Monopoly means [says he] that substantial unity of action on the part of one or more persons engaged in some kind of business which gives exclusive control, more particularly, although not solely, with regard to price.

Professor Ely thinks he reaches precision by this definition, but its practical content does not seem to carry us very far, owing to the lack of limitations in regard to time and space. "Substantial unity of action on the part of one person engaged in some kind of business," if it mean anything, means that a seller seeks his own interest or what he regards as his own interest. In a narrow market and for a limited time such seller may control prices. Moreover, there is constantly occurring substantial unity of action on the part of several persons in a small market and for short periods of time, owing to custom, tradition, inertia on the part of buyers, *etc.*, which results in control of prices. In other words, we have monopoly everywhere and constantly. A definition admitting such deductions seems to be too wide to correspond to the "more [*sic*] ordinary" use of the word, which is one of the ends that Professor Ely is seeking. On the other hand, complete monopoly, regardless of limitations of space and time, does not seem to be possible (as is shown all through the book) except by legal enactment, and even then we have the power of substitution as a limiting force. A definition demanding such an interpretation would be much too narrow to correspond to the "more ordinary" use of the term. We cannot see, therefore, that the mere definition for which the author claims originality and priority of discovery is any great advance over the ordinary dictum of economists that monopoly means absence of competition.

With practical good sense, however, Professor Ely enunciates his definition only in order to abandon it in the following words :

We must anticipate our classification of monopoly sufficiently to state that we have partial monopolies as well as complete monopolies, as this statement adds to the fulness [?] of our idea of the term.

We have a partial monopoly when there is a unified control over a considerable portion of the industrial field, but not over a sufficient portion to give complete domination of the whole field [p. 31].

This certainly adds to the extension of the term ; but does it not destroy the precision which Professor Ely was seeking and which he claims to have discovered in distinction from all previous writers ? Has he really reached any definition at all ? Or is he not merely saying that competition is more or less imperfect, or that competitors are more or less unequal in strength ?

On the basis of the narrower content of his definition, however, Professor Ely makes some deductions which are calculated to enlighten the public mind greatly at this time. For instance, he

declares that differential gains due to natural ability or appropriated natural opportunities are not monopolized gains, because there is still competition : mere limitation of supply does not yield monopoly.

Nor may we say that a valuable thing is monopolized because its supply is limited and also graded in quality. . . . Land is not a monopoly, and it is misleading to speak of it as a natural monopoly. Nowhere do we find monopoly either in the ownership or in the cultivation of land, but everywhere competition, competition among unequals, but still competition.

And again :

We must distinguish between the broad concept of differential gains enjoyed by those in competitive pursuits, and the monopolistic gains based on the absence of competition.

Just as sharply must we distinguish between competitive businesses of large magnitude and monopolies. "Department stores in no city in the world enjoy monopolies, but are subjected to the steady, permanent pressure of competition." Mere combination, again, is not necessarily monopoly; for there may still be active competition. Finally, although the fact that an article may have a substitute does not prevent its being monopolized, nevertheless the presence of the substitute may act, and does generally act, as a limit to monopoly price. These considerations seem calculated to dissipate many popular fears as to the prevalence and progress of monopoly.

Professor Ely contributes nothing to the theory of monopoly price — namely, that the monopolist will charge the price which yields the largest net revenue. This will generally be above the price indicated by the equilibrium of demand and supply. That is, the monopolist will not fix the price at that point which will satisfy the greatest demand and yield him the ordinary profit above his cost of production; but will prefer to sell a less quantity at a higher price and gain a greater total net revenue. The former is sometimes said to be the competitive price, and hence the monopolist is said to charge more than the competitive price. Professor Marshall has, however, pointed out that the monopoly price, where production is concentrated, may be less than a competitive price where the business is split up into small enterprises. This and other limitations of monopoly price adduced by Marshall do not seem to me to have been sufficiently noticed by Professor Ely. On the other hand, he emphasizes the fact (now generally attracting notice¹) that a monopolist may charge different prices to different customers and may use the

¹ See J. B. Clark, "Trusts," *POLITICAL SCIENCE QUARTERLY*, June, 1900.

large gains reaped in one portion of the field to lower prices and crush out rivals elsewhere.

In regard to remedies, Professor Ely seems inclined to public ownership and governmental management of natural monopolies. He recommends tariff reform, patent reform, taxation of bequests and inheritances in order to break up large fortunes, and the reform of the law of corporations. But in the field of competition there should be "allowed free play of natural and social forces" (p. 272). Here, as elsewhere, we come back to the fundamental difficulty of determining where competition ceases and monopoly begins.

Mr. Gunton's book is a collection of essays which have appeared principally in his own magazine during the last few years. They are very popular in character and smack decidedly of the fleeting editorial. The whole has little consecutiveness and no exhaustiveness. The most valuable of the essays is still the one on the "Economic and Social Aspects of Trusts," which appeared originally in the *POLITICAL SCIENCE QUARTERLY* as far back as 1888. The rapid march of events since then does not seem to have shaken Mr. Gunton's position, which may rightly be described as *pro-trust*.

It is a relief to turn from these discursive books on monopolies and trusts to the compact presentation of facts contained in the "Preliminary Report" of the Industrial Commission. It is objective in character, consisting primarily of a review of the evidence presented to the commission and a digest of the same. The commission finds that there is over-capitalization in many cases, but it does not seem to regard this as a very great evil. Several of the combinations control from seventy-five to ninety per cent of the entire output in their industry, which must give them a controlling influence over prices. The evil of cuts in local markets for the purpose of ruining competitors is clearly pointed out. The so-called factor-system is described, but a defense even of it is admitted. Freight discriminations are condemned, but allegations of this nature are carefully examined and in many cases discredited. Even the effects of combinations on laborers seem to be reduced to a diminution in the number of agents and higher officers. No remedies are specifically prepared by the commission, but they enumerate those prepared by various witnesses. Prominent among these are publicity and federal incorporation or stricter regulation of corporations.

The most valuable part of the report is the statistical study of prices by Professor Jenks. He presents carefully prepared tables and charts of the prices of sugar, whiskey, petroleum, tin plate, and

steel and wire. He compares the cost of the raw material with that of the finished product in each case, the difference showing the cost of manufacture plus profit. The inference is that, when the margin between cost of raw material and selling price of finished product rises, profit increases. The figures seem to show in general that during periods of trust control the margin increases. This is not surprising; for the object of a trust or combination is to make profit, and periods of trust control often succeed periods of ruinous competition, when the margin has been so low as to wipe out all profit. In some cases it even appears that trusts are learning the wisdom of keeping prices reasonable, in order to discourage rivalry. This is the most hopeful sign in the present situation.

RICHMOND MAYO-SMITH.

The Distribution of Income. By WILLIAM SMART. New York, The Macmillan Company, 1899. — 341 pp.

This work affords an eminently sane and modern view of the distribution of the annual product of social industry. By reason of the clearness and the attractiveness of its style it will reach many readers and will perform the large service of extending and deepening the conviction that, whatever imperfections may exist in the process by which the social income is shared, there is a sound principle at the bottom of it. Incomes come from products, and are gauged, in amount, by the specific products of the agents that get them. We put something into a pool and draw something out of the pool, and nature does not regularly cheat us in the operation. There are employers who would gladly retain more than they do, but are not, in this respect, their own masters. They must engage in a neck-and-neck race of improvement, and they must be forever surrendering to others the lion's share of fruits. The mobility of the agents, labor and capital, causes a general diffusing of the gains that come to each agent in its entirety, so that no one class of laborers, for example, is favored greatly at the cost of others; and by means of an all-around improvement in the facilities for production and an accumulation of capital, all workers tend more and more to union. Trade unionism involves some disturbances, but does not annul the action of natural law; and the sound parts of the trade-union policy — those which make for the well-being of society — are the parts that, in an intelligent laborer's view, are beneficial to labor itself.

Among the striking minor features of the book is its representation